

# Trendlines

May/June 2006

Perspectives On Utah's Economy

## The Residential Construction Boom

Construction Days  
in St. George

The Story Behind  
the Numbers

A Talk with  
James Wood



A Publication of the Utah  
Department of Workforce Services



# Construction Days in St. George was a Big Success!

Construction is booming in St. George and construction jobs are plentiful statewide. To make young people aware of the many opportunities in the construction industry, two days of hands-on fun and good information greeted them at Construction Days, held at the Washington County Fairgrounds March 21 and 22.

The event was open to all students from the seventh through the twelfth grades, and their parents. All seventh graders in Washington County attended, as well as many from outlying communities. Boys and girls were able to try their hands at using construction equipment, learn how to pour cement, and talk to people from schools, companies, and DWS about careers in construction. The army and the Occupational Safety and Health Administration (OSHA) had exhibits, and there were even dump-truck driving simulators. St. George City showed how they make signs, and printed out labels for the kids.

While it appeared that all the students had fun, many girls especially said they were excited about the possibility of construction careers, and had never thought about working in construction before. Many jobs do not require a lot of physical strength or getting dirty, and wages for construction jobs are pretty decent. In fact, some occupations in construction can pay up to \$40,000 with no college required.



At the DWS booths we showed them how to look up career and wage information on construction jobs. Then we had contest to see who could look up a particular wage the fastest. We also passed out printed wage information, career publications, and the most recent TrendLines with advice for youth on finding a summer job.

Roughly 2,500 students attended the event sponsored by the Department of Workforce Services, Utah State University Extension and the Utah Local Technical Assistance Program. There were four sessions with three groups each that rotated through the various venues—exhibits, trades and heavy equipment. Each student received a tool bag with a hard hat, water bottle and safety glasses. Although the first day was raining and muddy, everyone seemed to have a good time and learn a lot. With construction expected to continue growing statewide, the future looks bright for any of these students who choose an occupation in construction. **T**

# Sevier County Highlight

## did you know?

Burl Ives sang about the “Big Rock Candy Mountain.” You can see it for yourself in Sevier County.

Is your salt real? It is if you use RealSalt which is mined in Redmond. *Utah Business* magazine highlighted this company as one of Utah’s best employers.

In 1983 during construction of Interstate 70, the largest known Fremont Indian village was uncovered. Recovered artifacts are now on display at the Fremont State Indian Park and Museum.

The annual Rocky Mountain ATV Jamboree brings hundreds of ATV riders to Sevier County from as far away as Germany and Costa Rica.

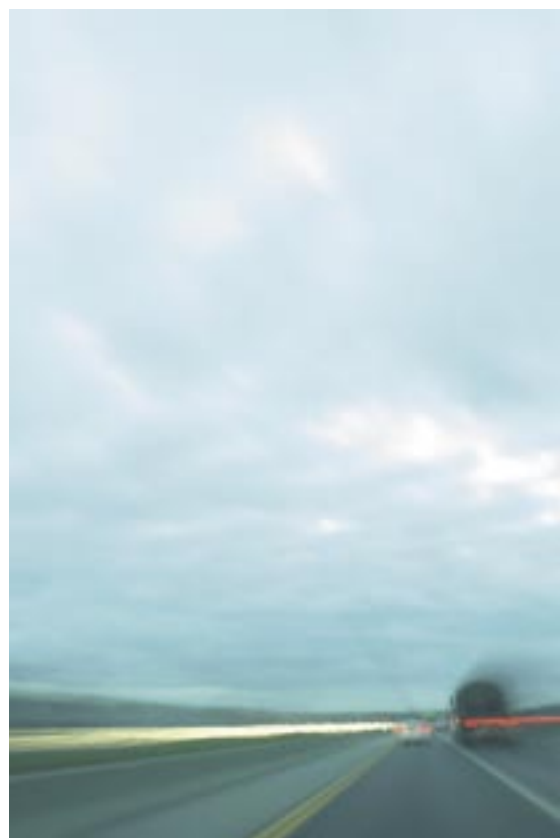
given rise to many leisure/hospitality jobs and a booming transportation sector (accounting for 11 percent of nonfarm employment).

Coal mining is another important source of Sevier County jobs. And, now that “black gold” has been discovered within the county’s borders, fossil fuels may play an even more important role in the county’s economy.

Finally, Sevier County is a center for education and culture with the Snow College South campus located in Richfield next to the Sevier Valley Center—a beautiful facility with a state-of-the-art theater, a large arena, and a classroom section which are designed to host a variety of events. 🏛️

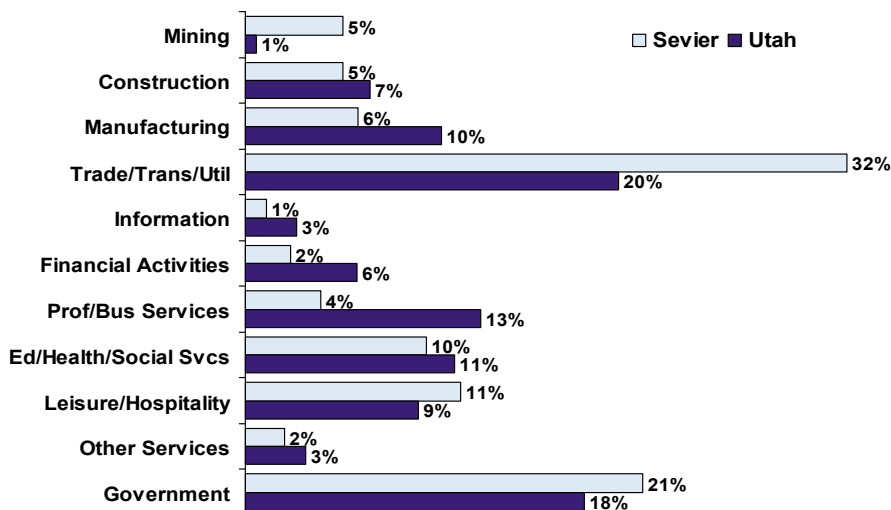
More? go to:

<http://jobs.utah.gov/jsp/wi/utalmis/gotoCounties.do>



Not only is Sevier County centrally located in Utah, it is the center of a vast array of economic activity. As a retail hub for surrounding counties, its shopping opportunities continue to grow. Also, the county’s prime location near I-70 has

## 2004 Nonfarm Jobs Distribution by Industry Sevier County and Utah



Source: Utah Department of Workforce Services.




# The Face of Construction

Construction has been widely touted as the driver of Utah's current economic boom. Huge projects up and down the state, plus the continued expansion of home construction demanded by the state's high population growth rate, have swollen the ranks of Utah's construction industry. For the year 2005, the state averaged nearly 83,000 workers in construction, making an average annual wage of \$32,349—which was just slightly below the statewide average of \$32,817. With all this activity one might ask, what is the face of Utah's construction industry?

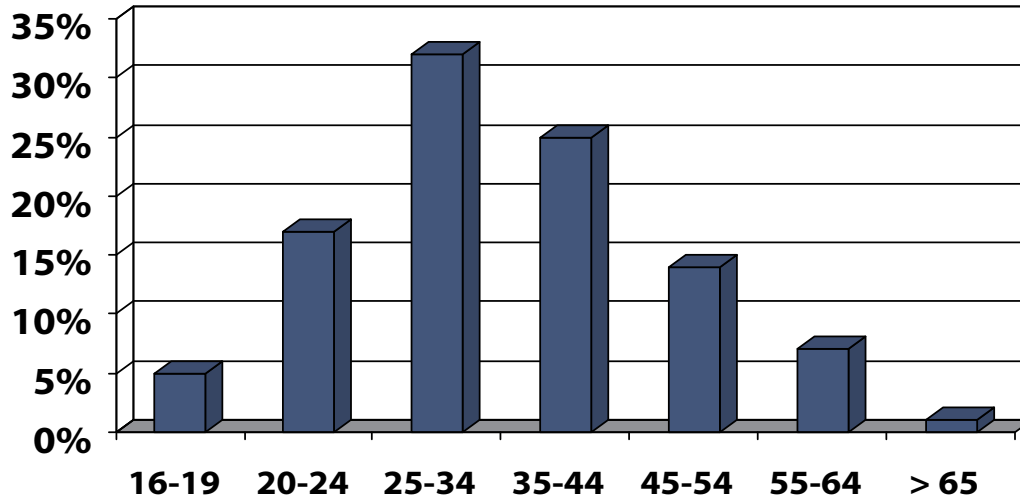
Currently, there is little hard data for the exact demographic mix of the construction industry. The little data that we do have comes from the 2004 American Community Survey (ACS). Using the ACS data we can get a rough approximation of the gender and age mix of the industry's workforce. In terms of gender, the data suggests that there were approximately 3,500 women in the industry in 2004—or 5 percent of all employees. Pooling both sexes together, we get an estimated average age of 35.1 years for workers in construction—with nearly one-third of workers in the 25-to-34 age bracket.

So what are people in construction doing? Data from the latest Occupational Employment Statistics (OES) survey provides some insights into this question. Not surprisingly, carpenters were the largest single occupation in the industry—making up roughly 13 percent of all construction employment. However, hidden in the data were some surprises. First-line supervisors and managers of construction trade workers, construction managers, and general and operations managers made up a combined 10.2 percent of jobs in the industry. Another two percent of the workforce was dedicated to working as general office clerks. Nevertheless, the bulk of the construction industry's jobs are in the occupations that you would expect: electricians, roofers, structural iron and steel workers, etc.

On the wages front, things are definitely looking up for workers in the construction industry. Looking at year-over growth rates in the industry's average annual wage it is clear that the industry has rebounded from its hard—as opposed to soft—landing after the Olympics. Preliminary data for 2005 shows the average annual wage rose a healthy 3.7 percent over 2004.

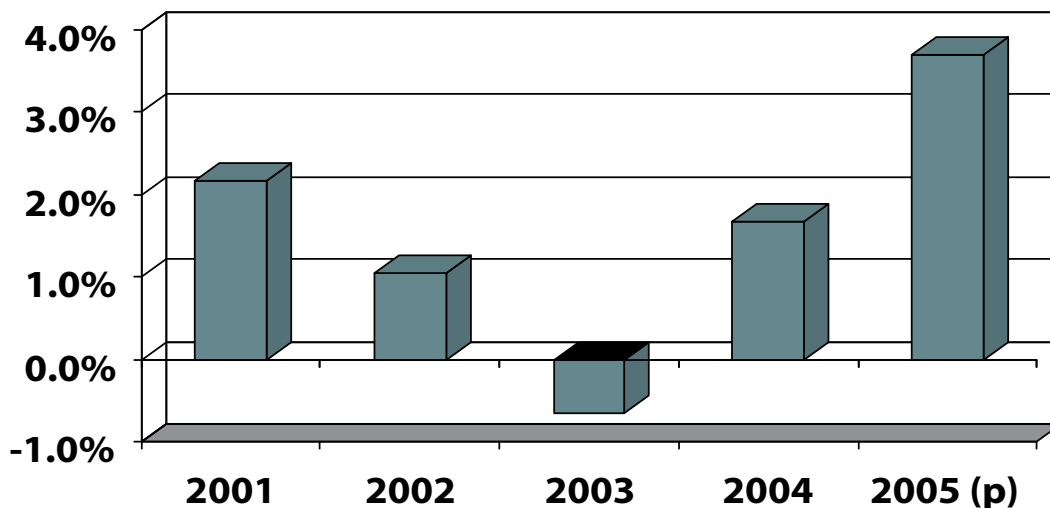
Even with all the data sources we have, some questions defy easy answers. What is the face of Utah's construction industry? For one, men continue to dominate jobs in the industry—even though programs exist to bring more women into the industry. The data also suggests that age is not as much an issue as previously thought. Finally, while wages are high, the industry's average annual wage is slightly lower than the state's overall average. 

## Workers in the Construction Industry by Age Group




Source: American Community Survey (2004) Tabulation

## Year-over Change in Average Annual Wages in Construction



Source: Utah Department of Workforce Services, Division of Workforce Development Information

# CONSTRUCTION, CONSTRUCTION... WHAT'S YOUR FUNCTION?



**I**n many fast-growing counties, many folks may even mistakenly believe that the visible construction industry is the largest employer. Not true. But, as with most economic factors, when we look outside the Wasatch Front, a wide variety abounds.

## Let's Share. . .

Construction's employment share in the Wasatch Front counties clumps in a tight little range. As a percentage of total

nonfarm employment, construction accounts for roughly 6 to 8 percent of employment in Salt Lake, Davis, Weber, and Utah counties. But, take a step outside the Front and the spread widens from 3 percent to 20 percent. On average, counties "off the Front" show higher shares of construction employment—almost 8 percent as opposed to about 6 percent for Wasatch Front counties.

## High Population Growth Equals a Strong Construction Industry

During 2004, counties at the top of construction employment-share heap included Morgan, Washington, Wasatch and Juab counties. Not surprisingly, in 2004, Morgan, Wasatch, and Washington counties also ranked among the top five counties for population (percent) growth. When lots of folks move to your county, somebody's got to build places for them to live. Juab County didn't fit that particular mold. However, the construction of the Current Creek Power Plant brought an influx of construction workers to the area in 2004.


## Slower Going. . .

On the other end of the spectrum, slow-growing counties tended to show small portions of construction employment. In Millard, Carbon, Garfield and Beaver counties, the construction industry provided just 4 percent or less of total



nonfarm employment. And, Millard, Carbon, and Beaver counties ranked among the five counties with the slowest-growing populations in the state during 2004. While Garfield County's population growth proved quite moderate, the county's heavy dependence on tourism employment skews the industry distribution.

## The Wage Issue

A reputation for high-paying employment has attached itself to the construction industry. Is this true for less urbanized counties? Not necessarily. Although hourly wages may appear higher than average, the seasonal and job-to-job nature of construction nudges annual and monthly figures down. Of 26 "off the Front" counties, 11 showed lower monthly wages in construction than the county average. 

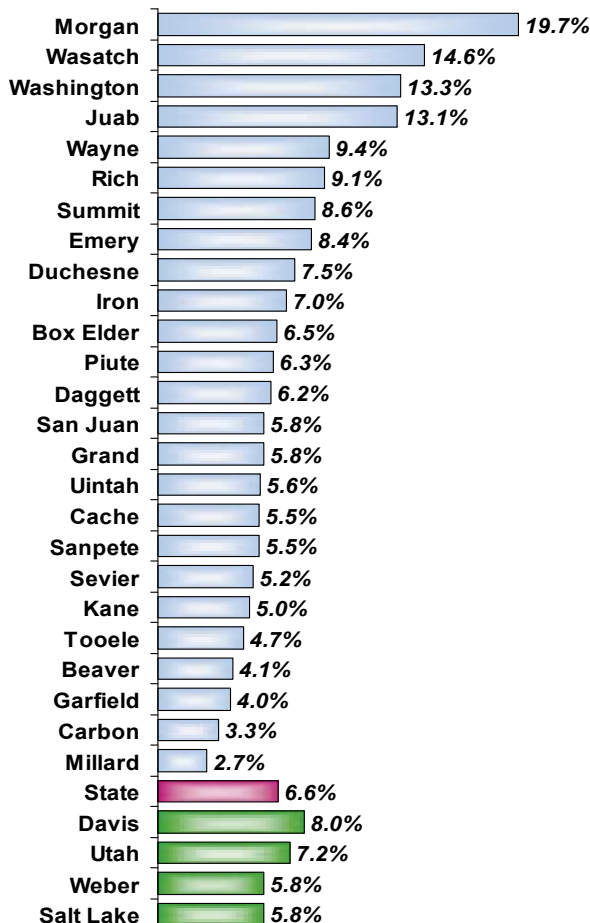
For more information see: <http://jobs.utah.gov/jsp/wi/utalmis/gotoCounties.do>

### did you know?

- Building is set to begin in Cedar City on Henley Manor, an Elizabethan resort. The multi-million dollar project will be on a time-lease basis. *The Spectrum*
- In Kanab, construction is underway on a new 80,000-square-foot Stampin' Up! manufacturing facility. *The Salt Lake Tribune*
- The Legislature approved another 192-bed, \$20-million expansion at the Central Utah Correctional Facility in Gunnison. *The Sanpete Messenger*
- Kohl's Department Stores has opened its new location in Washington, Washington County, and will create approximately 150 jobs in the area. *The Deseret Morning News*



**2004 Construction Employment  
As a Share of Total Nonfarm Employment**



Source: Utah Department of Workforce Services.

# Cooling the Residential Construction Boom



The interest-sensitive, red-hot housing sector has been the driving force behind the construction industry's job growth. Construction has been a primary source of U.S. economic activity in recent years.

Residential construction has been stimulated by record-low interest rates that have persisted for over three years. For example, from 2003 through 2005, the average annual interest rate on a fixed 30-year mortgage has been either 5.8 or 5.9 percent. The last time mortgage interest rates were at such low levels was in the early 1960s.

Spurred on by such a favorable interest rate environment, record numbers of new homes have been built; sales of existing homes have also skyrocketed. Annual housing appreciation, which varies significantly by local area, averaged double-digit increases nationally for the last two years. Financial institutions have also stimulated the housing boom by expanding creative financing techniques—no down payment, adjustable rate mortgages (ARMs), and interest-payment only loans—instead of more conventional loans with

fixed annual rates. These conditions, along with high price appreciation and a relatively stagnant stock market, have also invigorated speculative housing investment.

Low interest rates also benefit business, commercial, and government construction. The dollar value of these non-housing construction activities expanded by 6.3 percent from 2004 to 2005, compared to a growth rate of 11.2 percent for residential construction. Such high levels of construction activity have provided new jobs, with construction employment increasing by 4.3 percent last year. In comparison, U.S. job growth among all nonfarm industries was 1.5 percent during 2005.

Since October of 2005, mortgage interest rates have taken a definite, although gradual, upturn. As a result, residential construction appears to be softening as sales diminish and price appreciation fades. Speculative housing investment and prices in many of the recent highflying markets are moderating.

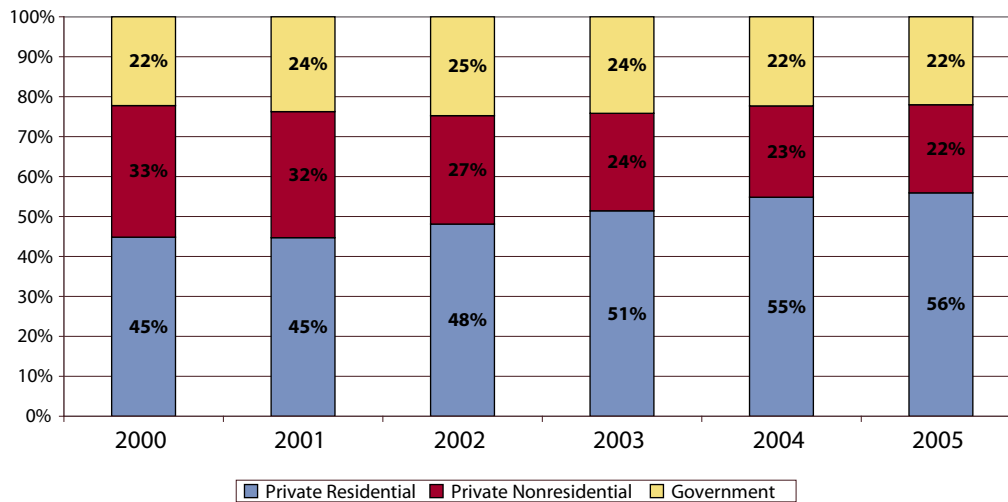


In the past two years, more than 30 percent of all mortgages written have been ARMs. Over the coming year, many of these mortgages will be reset to higher interest rates, increasing the monthly payments significantly and reducing their disposable income.

not be a severe movement. Even with higher interest rates, rising overall employment growth and incomes in the economy, along with the continuing reconstruction in the hurricane ravaged gulf-coast states, will help support the national housing markets. †

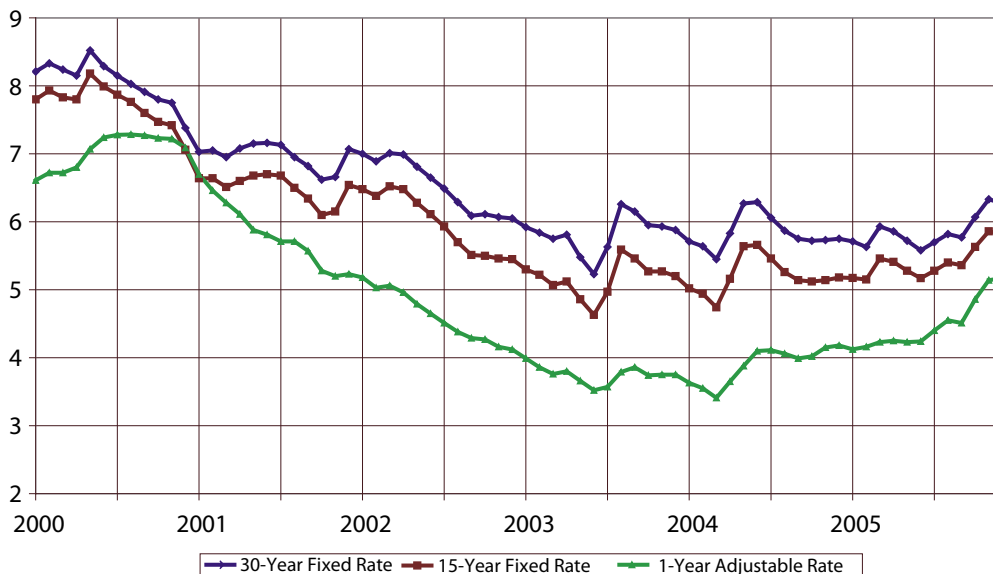
Most economists see a downward trend in the outlook for residential construction. This should

**Share of Construction Spending by Type: 2000 to 2005**



Source: U.S. Department of Commerce, U.S. Bureau of the Census.

**Primary Mortgage Interest Rates by Month: 2000 to 2005**



Source: Freddie Mac

# 53 Real Estate, Rental and Leasing

## Utah

### Largest Employers

Blockbuster Video  
Hollywood Video  
Marriot Ownership Resorts  
Enterprise Rent-A-Car  
Zions Securities Corporation  
Coldwell Banker Residential  
H&E Equipment Services  
Avis Rent A Car  
AMC LLC  
Diamond Rental Centers  
First America Real Estate  
Bach Enterprises Corp.  
Triton Investments

R

Real Estate and Rental and Leasing comprises only 1.4 percent of all Utah employment. This is one of the smaller representation in Utah of a NAICS-defined industry. Over half of all employment is located in Salt Lake County. It is a low-wage industry, with a monthly average of \$2,349, 11 percent lower than the statewide average for all industries.

2004	Employment	Wage*
<b>Total</b>	<b>15,167</b>	<b>\$2,349</b>
<b>REAL ESTATE</b>	<b>10,041</b>	<b>\$2,408</b>
Lessors of Real Estate	3,451	\$1,998
Offices of Real Estate Agents/Brokers	2,688	\$2,672
Activities Related to Real Estate	3,902	\$2,590
<b>RENTAL AND LEASING SERVICES</b>	<b>5,105</b>	<b>\$2,164</b>
Auto Equip. Rental and Leasing	1,113	\$2,226
Consumer Goods Rental	2,601	\$1,416
General Rental Centers	398	\$2,813
<b>LESSORS OF NONFINANCIAL INTANGIBLE ASSETS</b>	<b>220</b>	<b>\$3,961</b>

\*Average monthly wage



North American  
Industry  
Classification  
System

Year      Employment      Average Monthly Wage  
% of Utah Avg. Wage      # of Establishments      Payrolls      Emp. % of State Totals  
Payroll % of State Total

2000	13,821	\$2,015	83.9	2,708	\$ 334.2 M	1.3	1.1
2001	14,233	\$2,988	85.0	2,885	\$358.8 M	1.3	1.1
2002	14,677	\$2,173	86.6	3,058	\$382.8 M	1.4	1.2
2003	15,092	\$2,194	86.0	3,253	\$397.3 M	1.4	1.2
2004	15,367	\$2,349	89.0	3,642	\$433.2 M	1.4	1.2

**industry  
history**  
real estate,  
rental & leasing

County      R.E., Rental, Lease Employment  
% of State R.E. Emp      R.E. % of County  
Total Employment      Largest R.E., Rental, Lease  
Employer

Salt Lake	8,636	56.2	1.6	Blockbuster Video
Utah	1,803	11.7	1.1	Blockbuster Video
Davis	1,153	7.5	1.2	High Mountain Properties
Weber	984	6.4	1.1	Blockbuster Video
Summit	752	4.9	4.3	Blockbuster Video
Washington	618	4.0	1.4	Meadows Retirement Community
Cache	317	2.1	0.7	The Book Table

**county  
profiles**  
real estate,  
rental & leasing



# Construction Talk with an Expert



Jim Wood is the Director of the Bureau of Economic and Business Research at the University of Utah. One of the activities undertaken

by the Bureau is to monitor construction-permitting activity in Utah—both residential and nonresidential. Jim has been following the Utah housing market for over 30 years, so he is considered an expert and a valuable source of information regarding Utah's construction environment. I had the pleasure of interviewing Jim recently regarding the current state of construction activity in Utah.

**Your bureau monitors construction permitting in Utah. How did this come about, and how did you develop close personal contacts with many of Utah's contractors and developers?**

Our bureau has been gathering this permit data for over 50 years, at first fulfilling a contract with a private firm, but now we do it with our own resources. Over the years of gaining knowledge on this subject, I had been asked to do speeches and commentaries within the business community, and through these activities reciprocal relationships were built with local contractors and builders. Contractors understand my purpose for asking questions, and they feel free to share their insights.

**What is the current state of the Utah construction environment?** Construction in Utah is booming right now, almost like never before. Residential activity has been strong for many years, but within the past two years, nonresidential construction has also surged. It's not uncommon for nonresidential activity to lag behind residential booms. The current one having begun in the early 2000s. But now nonresidential is also in high gear. And this nonresidential boom has the potential to last for several years. There are big projects underway that are multi-

year projects, and we haven't yet seen the start of the huge LDS Church project downtown and other office buildings. Power plants are proposed, warehouses, industrial buildings; on and on it goes.

Residential construction has been phenomenal, especially over the past two years. That growth has been so surprising! We broke every previous record in 2004, and then 2005 comes in with even higher permit valuation. We may not go higher in 2006, but the amount of activity that will occur will still be significant, and shouldn't be construed as a slowing in the marketplace. I still anticipate it being historically high. Sound fundamentals are in place in Utah for the residential picture to remain vibrant and at high levels.

**Utah housing starts are the highest ever, but wouldn't that be expected as your population base grows?**

Yes. I have looked at this issue and largely feel that the housing growth that is going on is not out of proportion with the current population demand. I have looked at the Utah market since 1970 and found that, on average, the number of new homes built each year is around 2.8% of the number of existing homes. Last year the new additions were 3.1% of the existing home count. That's above average, but not by much. In contrast, in the late 1970s, new housing starts were 5.2% of the existing home count, signaling speculative building. Shortly thereafter came a sharp slowdown in new home construction, hurting the industry. I currently don't see overbuilding in place.

**So speculative home buying is not a problem in Utah?**

Generally, no. And as a consequence, Utah's home prices have not run up out of reach. Prices have risen within the past year, but that's expected, as home prices in Utah are below the national average. Housing prices move back and forth, but over time produce a 4% annual increase. The Salt Lake City area topped the list for housing price appreciation in the late 1990s, then was at the bottom of the list throughout the early 2000s. Things move back and forth, but ultimately maintain a long-term growth trend. If there is any place in the state where speculative building might be evident, it would be in the St. George area.

**Tell me about the St. George area. It is continually one of the strongest home building areas in Utah.** Home building has been very strong in that area, and anecdotal evidence suggests that speculative building is a factor there. But speculative buying and building only become a problem if the homebuyers don't show up later. Most of the developers in that area are local

developers, so the home building is not being driven by out-of-state developers. But the home buying is being driven by out-of-state buyers. It used to be that 50% of the home buying in that area came from the Wasatch Front. Now that percentage has fallen to 30%. More people from around the country are looking to buy there. Developers tell me that even though prices are up down there, they are still one of the lowest to be found in the Sunbelt.

National exposure and the internet have fueled this awakening. Large numbers of buyers are coming in from California, Arizona, and Nevada, but measurement tools show that people from every state in the nation (except Massachusetts) came to buy here last year. Many of them for retirement or future retirement purposes.

Things like this are occurring: Someone living in California bought his or her home in the 1970s for \$100,000. That home is now paid for and worth around \$800,000. So they come to St. George and buy a newer and nicer home for \$400,000, financed by the equity in their California home. They stay in California to work, and in five years will retire and move to St. George. They are called "equity refugees." Developers are anticipating a huge amount of this type of activity. Las Vegas is only an hour and a half down the road, and its entertainment is seen as a huge draw to the retirement crowd.

I've even heard of a developer proposing a 300-home subdivision in the Uintah Basin. He sold the entire 300 homes in one weekend to speculators in California and Arizona. So it can happen elsewhere.

**What are construction businesses conveying to you in terms of labor issues?** Labor issues are mainly being voiced to me on the nonresidential side of things. Residential hasn't been as loud, and is probably the result of having been in a strong building mode for several years now. They grabbed the workers and established their links when the labor market had higher unemployment. The nonresidential activity is more recent, and they are the ones trying to lure in the new labor.

**Do you get the feeling that construction activity could be even higher if workers were**

**readily available?** I haven't gotten that feeling yet. They are voicing concerns about labor, but I haven't been told by anyone yet that they have refused work because they can't get labor.

The supply of building materials is an area where shortages have been conveyed to me. Things like concrete and sheetrock supplies are tight, and there is some concern that supply rationing may develop.

**You have been observing this industry in Utah for quite some time. Are there any changes that you have seen in this industry in Utah that you would highlight or emphasize?** The construction cycle has changed. I measure a cycle from peak to peak, and I am now seeing that those cycles cover a longer period of time. In addition, the trough of the cycle isn't as deep as it used to be. This shows me less volatility in the marketplace.

**Why?** There used to be more speculative building in the market than there is today. The financial markets are the ones who have reigned in this speculation. Speculative building and indiscriminate lending in the past burned them, and they have learned their lessons from the 1970s and 80s. The financing aspect in the home market has matured.

**In your mind, what factors would be potential pitfalls for construction in Utah? What would slow or stop this construction boom?** Nothing unique to Utah would stop Utah's construction growth. The biggest roadblock would be a national phenomenon, namely, sharply rising interest rates. But there is nothing indigenous to Utah that would hurt things. In fact, the internal Utah factors suggest nothing but strength going forward, even in the face of a potential national recession. I just don't see any major problems going forward, unless I am incorrectly reading how investors and speculators work.

In the 1980s, Utah hit some housing problems. They were caused by overbuilding, overpriced real estate, high mortgage interest rates, and the collapse of part of Utah's industrial base (the raw materials industry). I see none of those negative factors in the present market. 📍



**More?** Visit the Bureau of Economic and Business Research at: <http://www.business.utah.edu/go/bebr/>

# The Industry That Could..... Build Utah's Economy



For the five years after the energy peak, the economy—and construction industry—suffered job losses. Other things hammering the state's economy that many will remember in the first half of the 1980s were the shutdown and refit of the copper industry in the state, and if that weren't enough, the steel industry suffered its slow demise.

When the state's general economy is going down, so goes most of the demand for building. The state snapped out of its doldrums after a couple of short spikes in the mid-eighties with what has been the longest sustained period of employment growth since 1950. Starting in 1988, employment in the construction industry boomed—in fact, nearly

tripled—from 25,800 to over 70,000 in 1999. Construction employment in the state dipped slightly during our recession in the 2002-2003 period but bounced back to a high of over 72,600 in 2004.

## Job Growth Rates in Construction Bounce All Over

Year-over rates of growth point out the volatility of construction activity (see the growth rate graph). At times, like the 1950s and 1960s, the growth in the industry hit 26 percent—its highest rate to date, between 1954 and 1955, yet it suffered its second-to-lowest drop in jobs (-14 percent) in the 1966-1967 period. The 1990s were the “decade of construction growth.” The industry experienced double-digit job growth in seven of the ten years before the 4-year slowdown in growth started in 2000.

## And You Thought Construction Wages were Higher than Average

Think again. Historically, the average wage in construction has been above the average for


Utah and its economy have evolved from what many viewed as a relatively backwater western state, dependent on natural resources and government, into a vibrant on-the-leading edge economic machine successfully competing in a world market. To do this required great minds, money, timing, and an industry to build the infrastructure to do it all. That's the construction industry.

## A Stroll Down Memory Lane

Remember Utah's economy in 1950? I didn't think so. Fifty-five years ago Utah was feeling the impact of the post World War II pent-up demand for virtually every product or good imaginable, including housing for the burgeoning families. They needed places to live, and the construction industry was there to build not only homes, but also commercial and industrial projects as well (see the employment graph).

Employment in the construction industry grew in fits and starts through the Baby Boomer years (1946-1964). Overall employment in construction accelerated in the late 1960s and showed its first peak in 1979 as the state and the nation raced to find more oil and energy-related products.

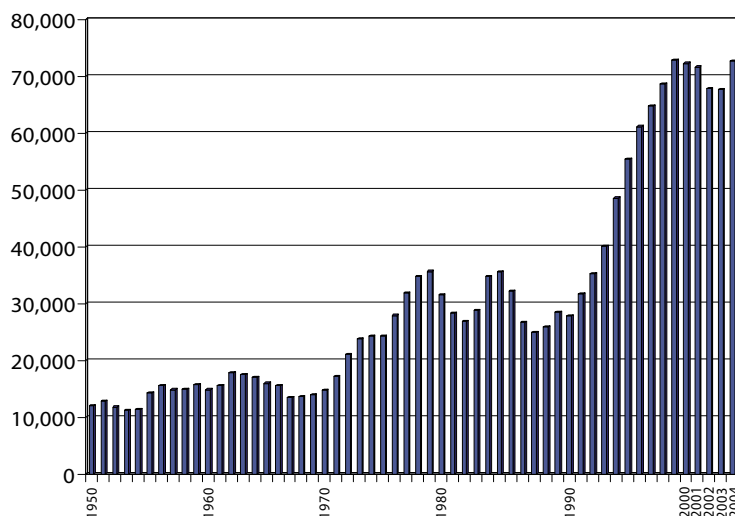


all jobs. However, since the mid-1970s this advantage has declined. In 1976 the average construction wage was 32 percent higher than the average for all workers in the state. That figure has now declined to where, in 2004, construction wages averaged two percent less than the state all-industry average. The statewide all-industry average monthly wage was \$2,641. That's slightly more than the construction average monthly wage of \$2,589. 

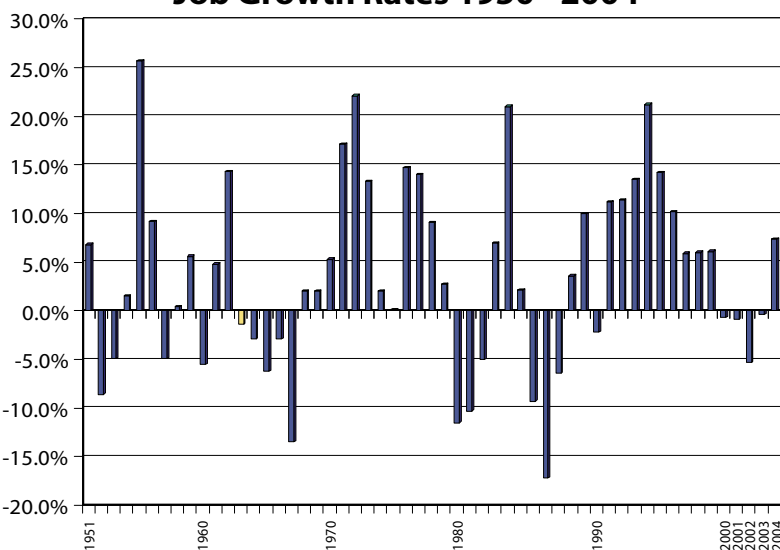
### Major construction projects —commercial and industrial— in Utah coming up are:

- Daybreak by Kennecott Land  
- \$1 billion
- Legacy Highway  
- \$680m
- Commuter Rail  
- \$542m
- Jordan Bluffs Mixed Use  
- \$500m
- LDS Downtown Rejuvenation  
- \$500m
- IHC Medical Center - \$387m
- Currant Creek Power Plant  
- \$350m
- Lake Side Gas Power Plant  
- \$300m
- Traverse Mountain Mixed Use  
- \$300m
- Amangiri Resort & Spa  
- \$125m

### Utah Construction Employment 1950 - 2004



### Utah Construction Year - Over Job Growth Rates 1950 - 2004



More? <http://jobs.utah.gov/opencms/wi/statewide/ifsheets/construction.pdf>  
<http://www.business.utah.edu/go/bebr/>

# The Story Behind the Numbers...

**W**here in Workforce Information consider ourselves data geeks. We have an enormous amount of data that gives us a summary representation of the Utah economy from the perspective of the labor market. From this data we are able to produce powerful statistics such as the unemployment rate, occupational wages, and the job growth rate. These numbers are interesting to the data geeks, but can sometimes be an unfriendly way to depict labor market conditions.

**I**One particularly interesting fact that has come out of our latest data is that the construction industry in Utah is booming. Statewide, construction experienced a year-over average job growth rate of 11.9 percent in the third quarter of 2005, and at this point, there seems to be no sign of slowing in the immediate future.

But what does that 11.9 percent growth in construction jobs really mean? More specifically, how does that growth rate affect the people on the construction site? Sometimes we data geeks have to be reminded

that there is a story behind the numbers. To understand this particular story, I decided to ask two of the largest commercial building contractors in the state how they are dealing with the tight labor market.

Lorna Williams, human resources director at Jacobsen Construction, reported that many modifications have been made to company hiring policies in order to compensate for the effects of current labor market conditions. On many recent occasions, under-qualified job candidates have been hired and then given on-the-job training to get them to the skill level needed. Lorna believes that this is simply a result of the growth in demand for skilled employees out-pacing the supply.


Layton Construction has felt the pinch as well. Bryan Webb, a preconstruction manager, asserts that the tight labor market has even affected Layton's choice in construction projects. The inability to call upon additional workers during the crunch time of a project puts Layton in the position to have to carefully select and schedule the projects they pursue.



Employee retention also becomes an issue when labor markets tighten. When there are more positions than qualified workers, employers run the risk of losing their workers to others willing to pay a higher wage or offer better benefits or working conditions. In order to retain their employees, Jacobsen increased wages for all employees on two separate occasions in 2005. Both Jacobsen and Layton also offer cash incentives to existing employees who recruit new workers. In addition, Bryan reports that current Layton employees are working longer-than-normal hours and under tighter schedules to compensate for the shortage.

So, if reading this makes you want to pursue a construction career, Lorna and Bryan have some advice for you. The key is to find opportunities to learn everything you can about the construction industry, as experience and knowledge are invaluable in these labor market conditions. Also, if you're hoping to train in a skill that is currently in high demand, Bryan suggests looking into millwork, electrical, concrete and steel.

For those of you who find construction interesting but picture yourself behind a desk instead of wearing a hardhat, you should know that construction management is also facing a labor shortage. If you have skills in scheduling, cost estimating, and business development, there are numerous opportunities for you to apply those skills in the construction industry. Opportunities in construction management exist for those with and without a college degree, so even if you don't have a bachelor's degree, with some experience you can still find opportunities to work behind a desk!

Thanks to Lorna Williams of Jacobsen Construction and Bryan Webb of The Layton Companies for their contributions to this article. 

More? Go to:

<http://jobs.utah.gov>



# Prosperity:

## A Double-Edged Sword



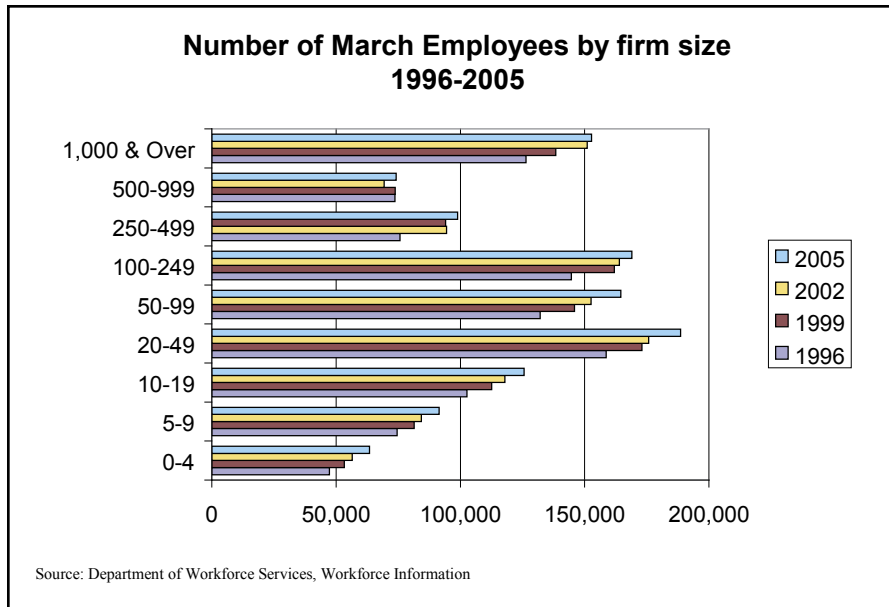
### WHO IS MOST CHALLENGED, SMALL EMPLOYERS OR LARGE EMPLOYERS?

Utah has experienced extraordinary job growth in the past year. On a percentage basis, Utah has created the most jobs second only to Nevada. As a result, many people are working, and unemployment has substantially declined. These conditions have created a job seekers' market that could push wages upward as businesses compete for quality workers.

Although these circumstances benefit job seekers, they can pose challenges for some employers. Rapid growth and shrinking unemployment together act as a double-edged sword, creating a tighter labor market in addition to a prosperous overall economy. Tight labor markets can make it more difficult for employers to find and retain qualified employees, so some Utah employers may be struggling to find applicants, fill positions, and keep qualified workers.

Utah's economy is largely comprised of small employers. Over one-half of establishments contain only four or fewer workers. Historically, small employers have always outnumbered large employers in Utah. However, large employers have always created the most jobs in the state (see Numbers of Employees graph). This pattern proves true time and time again.

To determine which size of firm fares best during tight labor markets, one must examine size-of-firm capabilities. For example, a firm's ability to pay attractive wages is usually a common dilemma in a tight labor market. Hypothetically, larger, more established firms are better able to pay higher wages. These employers are more likely to have the stability and resources to meet the higher wage demands of job seekers. Aside from wages, a good benefits package can also attract job seekers these days. Small business owners can, and do, offer great jobs and, in many cases, offer decent wages. But, in a tight labor market, large employers are more likely to have the flexibility to meet the rising demands of prospective employees.

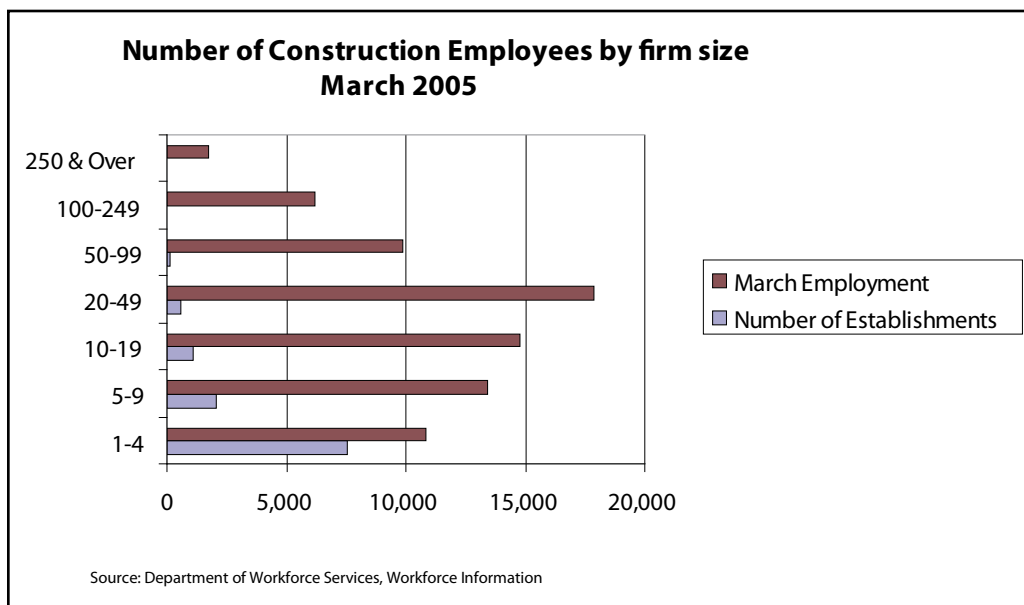


In Utah, some small business owners may be finding it harder to attract employees and retain current employees. To add to their difficulties, most newly created jobs in the state are found with large employers.

## HOW DOES THIS AFFECT THE CONSTRUCTION INDUSTRY?

Construction in Utah is currently booming and is expected to grow through 2006. Most construction establishments are small firms but, again, most construction jobs are found in the larger firms

(see Number of Construction Employees graph). Excessive growth in the past year contributes to a tight labor market in construction, especially since a lot of these jobs are seasonal and entry-level. According to the DWS 2005 Job Vacancy Study, average wages offered for openings in this industry shifted upwards by approximately four dollars per hour in response to rapid growth in the industry and a tightening labor market. This wage increase could be the result of abundant job vacancies in larger firms that are better able to raise wages.



More? <http://jobs.utah.gov/opencms/wi/pubs/em/ueews/>




## Will a Low Unemployment Rate Impact Growth?

Utah is enjoying the best economic environment it has experienced in the past nine years. Employment growth is in the mid 4-percent range, a level of growth not seen since 1997. Unemployment has fallen below 4 percent and is trending lower. Tax revenues are rolling in above expectations, signaling a high amount of spending activity in the Utah economy. These revenues also provided the state legislature with the largest budget surplus it has ever handled. Construction is booming, with historical highs in new residential building, and an impressive list of current and potential commercial building projects.

Utah's low unemployment rate shouldn't present a constricting problem for further economic growth. Some industries could actually be hindered by labor shortages, like construction, but as for the entire economy as a whole, I believe it will be able to grow at its desired pace even in the face of a tightening labor market. Why? Because of economic weakness in other states.

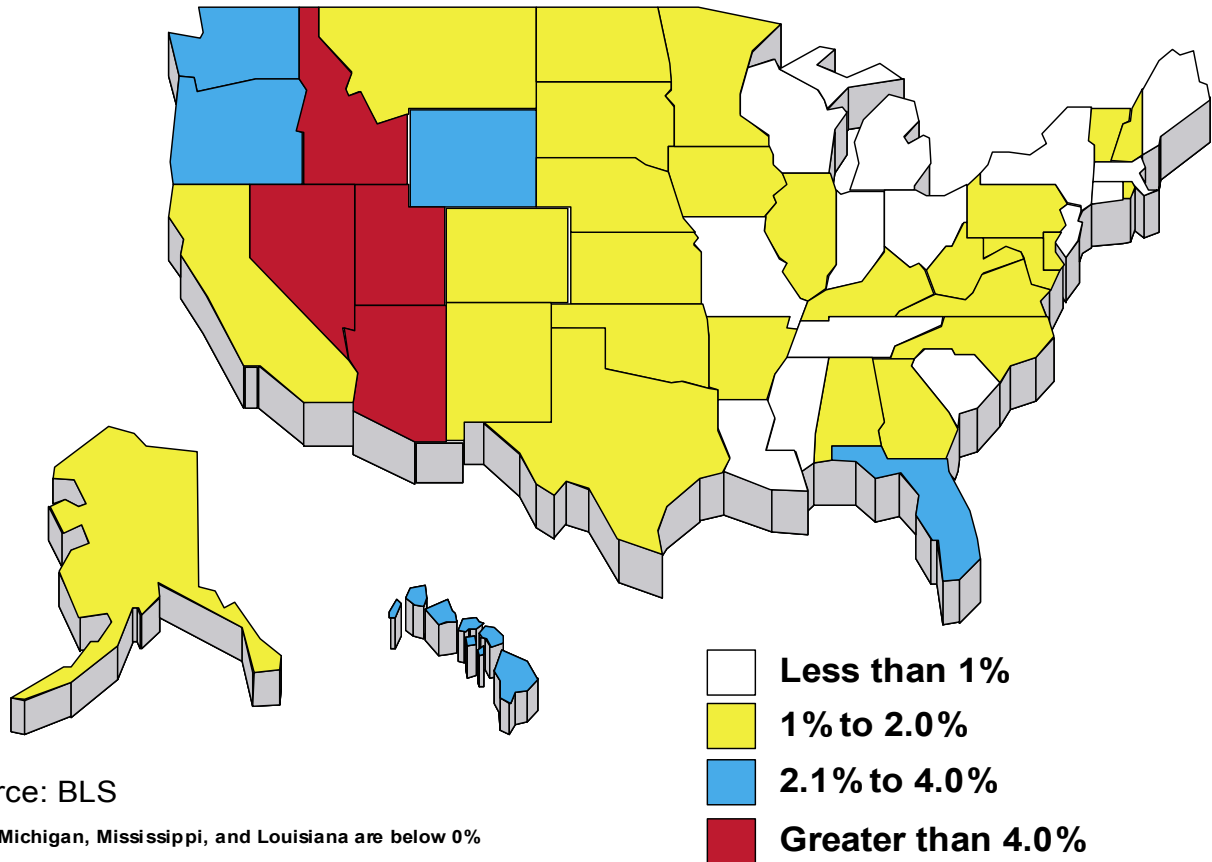
That weakness acts as an incentive for those states' idled workers to look to Utah, and other booming western states, as attractive opportunities for employment. I'm banking on continued strong in-migration as the answer to Utah's tightening labor needs. If the overall United States economy should pick up an unexpected head of steam in the next year or two, then such a situation would actually hurt the Utah economy, as it would dry up this in-migration flow. It was this very phenomenon that slowed the Utah economy in the late 1990s.

An energy boom is once again enveloping some of Utah's energy-based rural counties. The high price of oil and natural gas has drilling activity in the Uintah Basin looking like the last boom seen in the 1970s. That boom was followed by several decades of bust, which, in those volatile energy economies is, unfortunately, common. But the current world oil environment leads one to think that the Basin's current prosperity should be longer-lived and, although eventually slowing, not developing into a region-depressing bust. 

More? Go to: <http://jobs.utah.gov/wi/press/tlextra/tlextracurrent.asp>



# Employment Growth Rates – December 2005



## highlights

- Homebuilding in Utah ended 2005 at a frantic level, with more residential permits issued than in any other year in the state's history. <http://deseretnews.com/dn/view/0,1249,635188013,00.html>
- Utah officials have begun the state's largest road reconstruction project since pre-Olympic expansion of I-15 in Salt Lake County. For the next three years, orange barrels will line a 4½-mile stretch of I-15 in Weber County. <http://deseretnews.com/dn/view/0,1249,635183307,00.html>
- A major downtown Salt Lake City office tower project first announced in May 2004 will finally get under way this year, adding almost a half-million square feet of office space to the heart of Salt Lake City. <http://deseretnews.com/dn/view/0,1249,635185167,00.html>
- IM Flash Technologies LLC said it will hire 1,850 people in Utah over the next two years and put its corporate headquarters at the former Micron Technology Inc. facility in Lehi. <http://deseretnews.com/dn/view/0,1249,635192665,00.html>

## did you know?

Did you know that only 3 percent of construction occupations in Utah are held by women?

## the facts are....

### February 2006

### Changes From Last Year

Utah Unemployment Rate	3.8 %	↓	0.6 points
U.S. Unemployment Rate	4.8 %	↓	0.6 points
Utah Nonfarm Jobs (000s)	1,166.9	↑	4.4 %
U.S. Nonfarm Jobs (000s)	133,265.0	↑	1.6 %

### February 2006

U.S. Consumer Price Index	198.7	↑	3.6 %
U.S. Producer Price Index	161.9	↑	6.8 %

Source: Utah Department of Workforce Services

## February 2006

### Seasonally Adjusted Unemployment Rates

Beaver	3.9 %	Piute	4.2 %
Box Elder	3.8 %	Rich	3.2 %
Cache	3.3 %	Salt Lake	4.0 %
Carbon	4.0 %	San Juan	6.6 %
Daggett	6.7 %	Sanpete	3.9 %
Davis	3.8 %	Sevier	3.5 %
Duchesne	3.9 %	Summit	3.5 %
Emery	4.1 %	Tooele	4.0 %
Garfield	5.5 %	Uintah	3.3 %
Grand	5.2 %	Utah	3.6 %
Iron	3.4 %	Wasatch	3.6 %
Juab	3.5 %	Washington	3.1 %
Kane	3.9 %	Wayne	5.1 %
Millard	3.8 %	Weber	4.4 %
Morgan	3.8 %		

Theme:  
Energy

County  
Highlight:  
Beaver

Industry:  
Wholesale Trade

**Next Time**